



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/4/2005

GAIN Report Number: AS5001

Australia

Fresh Deciduous Fruit

Annual

2005

Approved by:

Andrew C. Burst, Agricultural Counselor
U.S. Embassy

Prepared by:

Mike Darby, Agricultural Specialist

Report Highlights:

Apple and pear production is forecast to increase significantly in CY 2005, as Australia is expected to continue recovering from a severe drought that has constrained production. Exports of apples and pears in CY 2005 are expected to increase significantly although remaining below the long-term annual average. Australia is considering permitting the entry of apples from New Zealand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Canberra [AS1]
[AS]

Table of Contents

SECTION ONE: SITUATION AND OUTLOOK.....	3
SECTION TWO: STATISTICAL TABLES	4
SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING	8
Apples	8
Production.....	8
Consumption	9
Trade.....	9
Free Trade Agreements.....	10
Stocks	11
Marketing.....	11
Quarantine Policy.....	11
Pears	11
Production.....	12
Consumption	12
Trade.....	12
Stocks	13

SECTION ONE: SITUATION AND OUTLOOK

Australia's apple and pear crops are forecast to rise sharply in calendar year (CY) 2005. Excellent precipitation early in the growing season and improved irrigation water supplies have led to a much improved production outlook in key fruit growing areas. Despite the favorable outlook, forecast CY 2005 apple and pear production are still at about average levels, compared to long-term annual production figures.

Sharp increases in CY 2005 apple and pear exports are forecast, due largely to the larger expected crops and an anticipated improvement in average fruit quality. Despite the increases, 2005 exports are at about the same level as indicated by a long-term annual average.

Apple and pear production in CY 2004 have been revised downwards in-line with preliminary official figures from the Australian Bureau of Statistics. Poor production conditions, including a severe drought and resulting reduced irrigation water supplies, constrained production to historically low levels.

Estimated pear exports in CY 2004 are lower than previously expected, while the 2004 apple export estimate remains unchanged. These export estimates represent some of the lowest annual levels on record and reflect the below average production conditions and reduced fruit quality, which sharply reduced the availability of fruit suitable for export. A stronger Australian dollar also contributed to constrain fruit exports.

Post anticipates area planted to apple and pear trees will continue declining slowly, which will be partially offset by a higher density of new plantings.

Australia's quarantine policy determining body, Biosecurity Australia, is currently considering allowing importation of New Zealand apples. A draft Import Risk Analysis was issued in February 2004 that proposes allowing New Zealand fruit to be imported, with treatment. An opening of the Australian market to New Zealand would improve the prospects of the United States also gaining access.

SECTION TWO: STATISTICAL TABLES

PSD Table Apples, Fresh							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	25000	22000	28000	21000	0	20000	(HA)
Area Harvested	0	0	0	0	0	0	(HA)
Bearing Trees	8392	8391	8400	8731	0	8420	(1000 TREES)
Non-Bearing Trees	1819	1820	1820	1659	0	1840	(1000 TREES)
Total Trees	10211	10211	10220	10390	0	10260	(1000 TREES)
Commercial Production	326000	326000	280000	250000	0	300000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	326000	326000	280000	250000	0	300000	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	326000	326000	280000	250000	0	300000	(MT)
Domestic Fresh Consump	135000	135000	125000	110000	0	120000	(MT)
Exports, Fresh Only	32099	32099	15000	15000	0	30000	(MT)
For Processing	158901	158901	140000	125000	0	150000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	326000	326000	280000	250000	0	300000	(MT)

Export Trade Matrix Apples, Fresh			
Time Period	Jan - Dec	Units:	MT
Exports for:	2002		2003
U.S.	116	U.S.	0
Others		Others	
India	5244	India	6665
Malaysia	5224	Malaysia	6135
Sri Lanka	3661	United Kingdom	5322
Singapore	2553	Sri Lanka	4563
United Kingdom	2234	Taiwan	2785
Bangladesh	1381	Singapore	1801
Taiwan	1327	Bangladesh	1532
Indonesia	739	Indonesia	663
Hong Kong	577	Hong Kong	634
Papua New Guinea	459	Papua New Guinea	441
Total for Others	23399		30541
Others not Listed	2155		1558
Grand Total	25670		32099

PSD Table Pears, Fresh							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	0	7221	0	7050	0	6875	(HA)
Area Harvested	0	1260	0	1171	0	1060	(HA)
Bearing Trees	1305	1667	1300	1647	0	1627	(1000 TREES)
Non-Bearing Trees	326	355	320	328	0	298	(1000 TREES)
Total Trees	1631	2022	1620	1975	0	1925	(1000 TREES)
Commercial Production	135919	135919	150000	141000	0	150000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	135919	135919	150000	141000	0	150000	(MT)
TOTAL Imports	2097	3568	1500	4000	0	3000	(MT)
TOTAL SUPPLY	138016	139487	151500	145000	0	153000	(MT)
Domestic Fresh Consump	70000	70000	80000	80000	0	80000	(MT)
Exports, Fresh Only	14202	14202	10000	9000	0	15000	(MT)
For Processing	53814	55285	61500	56000	0	58000	(MT)
Withdrawal From Market	0	0	0	0	0		(MT)
TOTAL UTILIZATION	138016	139487	151500	145000	0	153000	(MT)

Import Trade Matrix Pears, Fresh			
Time Period	Jan - Dec	Units:	MT
Imports for:	2002		2003
U.S.	73	U.S.	
Others		Others	
China	1304	China	3504
Japan	31	Japan	37
Korea South	25	South Africa	17
South Africa	9		
Total for Others	1369		3558
Others not Listed	25		10
Grand Total	1467		3568

Export Trade Matrix Pears, Fresh			
Time Period	Jan - Dec	Units:	MT
Exports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Singapore	4328	Singapore	3199
Malaysia	4030	Malaysia	2169
Indonesia	3023	Canada	2099
Canada	1811	Indonesia	2054
New Zealand	1647	New Zealand	1775
Hong Kong	851	Hong Kong	543
Belgium-Luxembourg	422	New Caledonia	333
India	322	Belgium-Luxembourg	274
Italy	232	United Kingdom	234
Fiji	183	Fiji	222
Total for Others	16849		12902
Others not Listed	1340		1300
Grand Total	18189		14202

SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING**Apples****Production**

Australia's calendar year (CY) 2005 apple production is forecast at 300,000 metric tons (MT), 20 percent higher than estimated production in the previous year. Despite this large expected increase, a 2005 crop of this size would represent a relatively average level of production, and lower than annual production levels prior to the onset of the severe 2002-03 drought.

The 2005 apple crop has finished bud burst, fruit set and the crop is now sizing. Industry sources report that the crop has benefited from excellent rainfall and adequate supplies of irrigation water. This year's anticipated "on" production year in the biannual cycle is also likely contributing to the crops improved production prospects. Despite some high temperature periods earlier in the season, temperatures have remained relatively mild, which has benefited early fruit development. Post anticipates fruit quality will range from average to above average, assuming normal weather conditions for the remainder of the season.

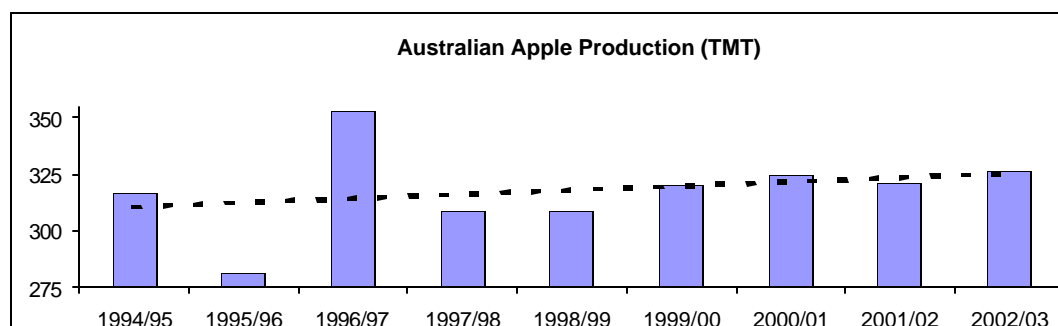
Post estimates the CY 2004 apple crop at 250,000 MT, down 30,000 MT from Post's previous forecast (see GAIN Report #AS4001) and down 76,000 MT, or 23 percent, from the CY 2003 crop. This 2004 production figure is in-line with preliminary official Australian Bureau of Statistics (ABS) figures. Historical data reported by the Australian Department of Agriculture, Forestry and Fisheries (DAFF, formerly AFFA) shows this level of production to be well below average. The long-term effects of the drought experienced in 2002 and 2003, combined with the "off-year" in the traditional bi-annual production cycle significantly constrained apple production in 2004.

Apple production in CY 2003 is estimated at 326,000 MT, unchanged from Post's previous figure and in-line with official Australian Bureau of Statistics (ABS) numbers. The lack of humidity associated with the early stages of drought reduced the incidence of pests and diseases. This production level is slightly above average, given historical figures published by DAFF.

The tree number estimate used by Post for CY 2003 is in-line with official ABS figures. New technology is allowing for an increase in the density of new plantings. Over time this is expected to increase tree numbers slowly, despite an expected slight fall in total area.

Post uses DAFF figures to identify longer-term trends and establish annual averages. DAFF figures are reported on a "split-year" (July-June), with the second year of DAFF's split year correlating directly with Post's calendar year production figures (i.e., DAFF 2002/03 = Post 2003).

Apples are grown commercially in all of Australia's states and territories, except the Northern Territory. The major producing states are Victoria, New South Wales and Tasmania, which together account for about three-quarters of national production. Granny Smith and Red Delicious are the dominant apple varieties, accounting for about one-half of total production. Apples that are grown in temperate regions of Australia are typically produced using irrigation. Apple harvest generally begins in earnest in February.



Source: DAFF data.

Consumption

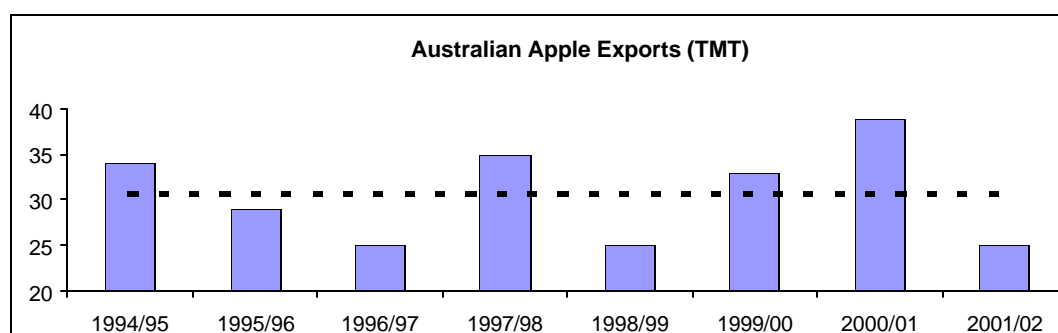
Official up-to-date consumption figures for apples are unavailable. Historical data shows domestic fresh consumption of apples is slightly less than that destined for processing. Consumption and processing figures quoted by Post are derived from total supply less exports.

Trade

Exports: Australia's CY 2005 apple exports are forecast at 30,000 MT, double the export projection for the previous year. The expected sharp rise in exports is attributed to the larger apple crop and an anticipated improvement in average fruit quality. A stronger Australian dollar is expected to be the major drag on apple exports in 2005.

Apple exports in CY 2004 are projected at 15,000 MT, down sharply from the export estimate for CY 2003. Year-to-date ABS figures (Jan-Sep) for 2004 show a decline of over 50 percent compared to the same period a year earlier. The drop in exports is attributed to the relatively small 2004 crop and the stronger Australian dollar.

Apple exports in CY 2003 are estimated at 32,099 MT, in-line with official figures from ABS and in-line with the long-term average according to DAFF historical figures.



Source: DAFF data.

Australia's major apple export markets are the United Kingdom, Malaysia, India, Taiwan, Sri Lanka, and Singapore. Australia focuses most export market promotion efforts on major markets in Asia. Apple exports in 2002/03 were valued at about A\$41 million.

Imports: Australia bans most apple imports because of diseases and insect pests that are of quarantine concern. Of primary concern for Australia is fire blight, a plant pathogen that is

present in many apple-producing countries (including the United States), but is not known to exist in Australia. Australia has banned apple imports from New Zealand since 1921, largely due to concerns associated with the entry of fire blight.

In recent years, New Zealand made formal applications to Australia to allow apple imports, first in 1989 and again in 1995. Both applications were rejected by Australia largely over concerns with the introduction of fire blight.

In January 1999, New Zealand again made formal application to Australia to consider the importation of apples. In October 2000, Australia's quarantine policy agency (Biosecurity Australia) released a draft Import Risk Analysis (IRA) for New Zealand apples, which again highlighted Australia's concern with fire blight, but did outline a proposed series of conditions under which access could be granted.

BA subsequently issued a revised draft IRA for New Zealand apples in February 2004, which would permit New Zealand apples to be imported under certain conditions. Outlined in this IRA are the most recently proposed measures for dealing with concerns such as fire blight, European canker, apple leaf curling midge, four species of leaf rollers and wheat bug. BA is currently considering submissions received from stakeholders during the consultation process. Also, in subsequent developments, BA has made some reforms in IRA procedures and process that will require some review of the draft IRA for New Zealand apples.

Australia's domestic apple industry is opposed to any opening of the Australian market to imported New Zealand apples. Meanwhile, export interests in New Zealand are anxiously awaiting an expected market opening.

In a separate but related matter, in July 2003, a WTO dispute settlement case panel concluded that Japan's apple quarantine measures for fire blight disease were inconsistent with the WTO Agreement on Sanitary and Phytosanitary Measures. The panel found that there is not sufficient scientific evidence that apple fruit are likely to serve as a pathway for the entry, establishment or spread of fire blight within Japan. Japan subsequently appealed this decision and the appeal proved largely unsuccessful.

The United States is also very interested in gaining access to Australia's apple market. Like New Zealand, U.S. apple access is now denied largely because of the presence of fire blight in the United States. A final IRA permitting New Zealand apples access to Australia would be favorable for future U.S. access.

Exchange Rates: Australia's competitiveness in world agricultural markets and export returns to domestic producers are heavily impacted by the value of the Australian dollar. Since much of international trade is conducted in currencies such as the U.S. dollar, a rising Australian dollar has acted to constrain export prices when expressed in domestic currency terms. The Australian dollar has appreciated markedly against the currencies of major trading partners over the last year, particularly vis-à-vis the United States, averaging US\$0.54 in 2002, US\$0.65 in 2003, and peaking at US\$0.80 in early 2004. Currently, the Australian dollar is valued at about US\$0.78.

Free Trade Agreements

Australia has entered into Free Trade Agreements with New Zealand, Singapore, Thailand and the United States. Other FTAs are being pursued with ASEAN and China.

Australia-U.S. FTA: Australia completed FTA negotiations with the United States in early 2004 and the agreement went into effect on January 1, 2005. The Australian Minister for

Trade has characterized the FTA as “the most important bilateral deal that Australia has ever concluded”. However, Australia does not export apples or pears to the United States, according to official ABS figures.

Australia-Thailand FTA: Australia completed FTA negotiations with Thailand in October 2003, with the agreement implemented on January 1, 2005. Thailand currently accounts for minimal apple and pear trade with Australia.

Australia/New Zealand-ASEAN FTA: In November 2004, Australia, New Zealand and the Association of Southeast Asian Nations (ASEAN) announced that negotiations on an FTA would begin in early 2005. Further it was agreed that FTA negotiations would be completed within two years and implemented fully within 10 years. This FTA would compliment bilateral FTA's with New Zealand, Singapore and Thailand, as well as an FTA scoping study currently being undertaken with Malaysia. Australia currently conducts a smaller but significant trade in deciduous fruit with ASEAN countries, particularly Malaysia.

Australia-China FTA: In October 2003, the Australian and Chinese governments signed a framework agreement for managing the bilateral trade and economic relationship between the two countries.

As part of this framework, the two governments undertook to conduct a detailed joint study into the feasibility and benefits of an FTA between Australia and China. This study is to be completed by October 2005 and will provide the basis for Australia and China to negotiate an FTA. In subsequent meetings, the two countries have agreed to “fast track” the study, although a revised date of completion has not been announced.

China is Australia's largest supplier of pears, although total apple and pear trade with China remains relatively small, according to ABS figures. Recent media reports have quoted local growers concern over the lack of access to the Chinese market for Australian pears and restricted access Australian apples.

Stocks

Official statistics for apple industry stocks are unavailable.

The Government of Australia does not subsidize the holding of stocks. Post believes that stock levels mostly reflect commercial conditions.

Marketing

Apple and Pear Australia Limited (APAL), a non-profit public company, is the peak industry body representing the interests of Australia's 2,000 commercial apple and pear growers. APAL's major concerns are legislation and regulations affecting the industries, marketing, and research and development. APAL replaced the previous Australian Apple and Pear Growers Association Inc. (AAPGA).

Horticulture Australia Limited (HAL) is owned by its members, who comprise of 28 horticultural industries (including apples and pears) and is funded through a statutory levy system. Apple and pear growers pay statutory levies of A1.53 cents per kilogram and A1.64 cents per kilogram, respectively. For levies used for research and development, the Commonwealth government provides matching funds on a one-to-one basis. The levy funds for the apple and pear industries are managed through the apple and pear Industry Advisory Committee (IAC). About A\$4 million is collected annually through the apple and pear levies.

The majority of Australia's apple and pear exports are marketed under the "AUSTRALIAfresh" brand. The AUSTRALIAfresh promotional campaign for the 2003 season was funded with about A\$565,000 in industry funds and about A\$150,000 in contributions from exporters. This brand is also used for Australia's other horticultural commodity exports.

Quarantine Policy

Biosecurity Australia (BA) is the Australian government agency responsible for the development of quarantine policy. This organization has previously fallen within the structure of the Department of Agriculture Fisheries and Forestry (DAFF), along with many other government agencies.

On December 1 2004, the Australian Government officially announced that BA is now an independent agency within the DAFF portfolio. The government claims this will further boost BA's independence and financial autonomy.

In a statement issued by the Australian government, BA in its new form will review and reissue all IRAs currently in progress, including a further period of public comment.

Pears

Production

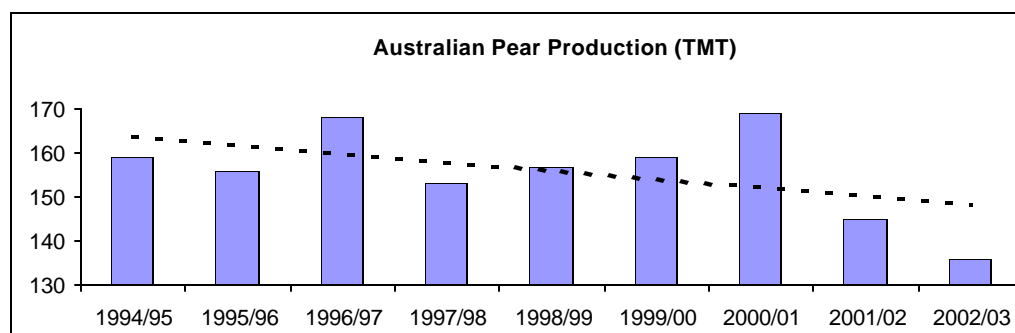
Australia's CY 2005 pear production is forecast at 150,000 MT, up six percent from the revised estimate for the previous year. Favorable precipitation early in the growing season produced an excellent bud burst and early fruit set. Industry sources describe growing conditions for the 2005 pear crop as ranging from average to above average.

Estimated pear production for CY 2004 has been revised downward to 141,000 MT, in-line with preliminary official figures from ABS. Poor soil moisture levels and reduced irrigation water supplies associated with the 2002-03 drought constrained production to a level slightly below Post's previous forecast (see GAIN Report #AS4028).

Post estimates pear production in CY 2003 at 135,919 MT, unchanged from the previous forecast. Drought conditions greatly reduced soil moisture levels and the availability of irrigation water supplies. This production figure is well below the long-term average, according to historic DAFF figures.

Historically, tree numbers have been difficult to determine. However a report recently published by ABS indicates higher tree numbers than were previously reported by Post. Thus, Post has revised tree numbers upwards in both CY 2003 and CY 2004. Overall, however, tree numbers show a downward trend, and Post projects a continued small decline in CY 2005.

Official figures for pear tree area are unavailable. Area planted to pears has been established using an estimated average of 281 trees per hectare for new plantings, and an average of 230 trees per hectare for established plantings. Evidence suggests new plantings tend toward higher density than older plantings.



Source: DAFF data.

Historical data suggests that the Australian pear industry is perhaps facing a continued production decline. Industry sources report that recent expansion in Australian horticulture has been in high-valued industries such as viticulture and stone fruit, rather than pears. More recently, climatic events such as the 2002-03 drought have further reduced annual production.

The State of Victoria accounts for about 90 percent of the national commercial pear crop, most of which comes from the Goulburn Valley. Western Australia and South Australia are the next largest producing states. Pear production is dominated by varieties such as Packham, Williams and Beurre Bosc, which account for over 90 percent of national production. There is considerable interest in new pear cultivars, particularly for the export market.

Consumption

The bulk of Australia's pear crop is consumed domestically. Australia's pear consumption in CY 2005 is forecast at 80,000 MT, unchanged from the previous year.

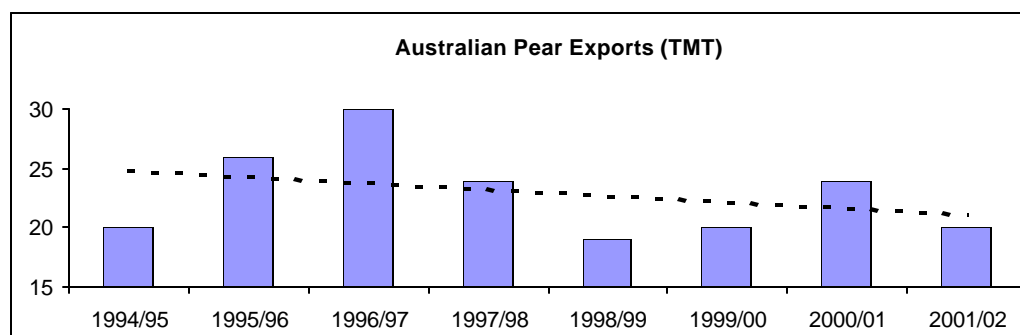
Official up-to-date consumption figures are unavailable. Post derives consumption figures from production and exports.

Trade

Exports: Pear exports in CY 2005 are forecast at 15,000 MT, up sharply from the previous year but well under longer-term average annual production. A larger estimated 2005 crop, together with anticipated improvements in average fruit quality, is expected to benefit exports in 2005.

Pear exports in CY 2004 are estimated at 9,000 MT, slightly below Post's previous estimate and in-line with preliminary ABS year-to-date data. This export level represents a drop of about 36 percent from the revised estimate for the previous year. The below average sized pear crop in 2004, together with a relatively strong Australian dollar, likely contributed to the historically low export level.

Estimated pear exports in CY 2003 is revised downwards slightly to 14,202 MT, in-line with revised ABS statistics. This represents the lowest export figure in the last decade, according to DAFF's annual split-year figures.



Source: DAFF data.

Imports: Australia imports only relatively small quantities of fresh pears, with China supplying the vast majority.

Stocks

Official statistics for pear industry stocks are unavailable.

The Government of Australia does not subsidize the holding of stocks. Post believes that stock levels mostly reflect commercial conditions.